

TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: External Equity- Allowable Emerging
Market Countries

ITEM NUMBER: 10

ATTACHMENT(S): 2

ACTION: _____

DATE OF MEETING: October 13, 1999

INFORMATION: X

PRESENTER(S): Mr. Emkin

EXECUTIVE SUMMARY

One of the 1999/00 Investment Branch objectives is "Explore, evaluate, and present a report on the appropriate method of selecting and/or approving allowable emerging market countries to be included in the active or passive emerging market portfolios."

Pension Consulting Alliance (PCA) has prepared a review of developments and characteristics of the emerging markets which, is included as Attachment 1. A list of the countries contained in the MSCI Emerging Market Index (EMI) is provided on page 4 of Attachment 1.

CalSTRS first hired non-U.S. equity managers in 1992. The investment guidelines have allowed up to 20% of their equity portfolio to be invested in emerging market countries as identified by the EMI. The investment guidelines contain no limit on the amount invested in any one country.

A passive emerging market equity manager was hired in 1994. The investment guidelines identified a two-tiered equal weighted country strategy for the most liquid emerging market countries contained in the EMI. A list of the emerging market equity holdings for both the active and passive managers is provided as Attachment 2.

Since 1992, the allowable emerging market countries have been determined by MSCI as they made changes in their EMI. This agenda item is designed to stimulate discussion on three aspects:

1. Should CalSTRS establish an alternate emerging market country list?
2. If so, who would be responsible for the creation and maintenance of the alternate list?
3. What criteria should be used to determine allowable countries?

Note: Attachment 1 is not available in electronic format at this time.

Emerging Market Equity
Sorted by Total Market Value
(in millions of U.S. dollars)
As of August 31, 1999

Country	Active Portfolio	Passive Portfolio	Total Market Value
Korea	\$ 98.9	\$428.2	\$527.1
Mexico	69.5	158.9	228.4
Brazil	26.9	170.7	197.6
Thailand	7.2	177.4	184.6
Indonesia	2.0	168.3	170.3
Philippines	6.8	154.3	161.1
South Africa	21.8	131.1	152.9
Greece	41.9	90.1	132.0
Malaysia	17.4	107.0	124.4
Argentina	9.0	92.2	101.2
Taiwan	54.0	2.9	56.9
Israel	0	38.6	38.6
India	8.3	0	8.3
Hungary	5.3	0	5.3
Poland	3.5	0	3.5
Turkey	2.0	0	2.0
Chile	1.3	0	1.3
China	1.2	0	1.2
Totals	\$374.6	\$1,721.3	\$2095.9